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Shattuck Helping to Lure Northrop's Headquarters to Maryland

**Constellation Energy CEO puts aside past skirmishes with state
leaders**

By Gus G. Sentementes

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"I'm a Maryland booster," says Constellation Energy CEO Mayo A. Shattuck III, who is working to attract Northrop to the state. (Baltimore Sun photo by Lloyd Fox / October 30, 2009)

With a decision expected any day from Northrop Grumman Corp. about where it will move its headquarters in the Washington area, Maryland officials have recruited a seemingly unlikely ally in their effort to lure the defense powerhouse here - energy company CEO Mayo A. Shattuck III.

Shattuck, head of Constellation Energy Group, put aside past skirmishes with state leaders to personally pitch Maryland to Wesley G. Bush, Northrop's chief executive. Shattuck said he volunteered to help Gov. Martin O'Malley's administration win over Northrop.

"The governor and I agree on a number of things, and this is one of them," Shattuck said in an interview this week. "I really do think this is one of those issues where we really should be on the same page, with regards to economic development. I'm a Maryland booster."

The breadth of the effort to court Northrop demonstrates the high stakes for the three possible locations: Maryland, Virginia or the District of Columbia. Northrop's headquarters would bring about 300 high-paying jobs, and nothing would be sweeter for political and corporate leaders than to attract a Fortune 100 company in tough economic times. The company expects to decide on a new home in April.

Northrop now employs about 40,000 people at several locations in Maryland and Virginia. But the O'Malley administration, which has worked to rebut the sentiment that Maryland is not as business-friendly as its neighbors, is hungry to snag a major corporate headquarters. And the state's top business leaders are looking to attract top corporations to deepen the region's corporate bench and add to its prestige.

That means Bush has been a popular guy in Maryland since his company announced in January that its headquarters would move from Los Angeles to this

region.

O'Malley made the state's final pitch, which included tax and other incentives, to Bush in a telephone conversation Friday. Sen. Barbara A. Mikulski, the Maryland Democrat who sits on the powerful Appropriations and Intelligence committees, has been working the phones.

In addition to Shattuck, current and retired Lockheed Martin Corp. executives are lobbying Northrop counterparts on Maryland's behalf, and T. Rowe Price Group Chairman Brian C. Rogers recently called Bush to tout the state as a great place to live and work.

"I can't really say what we spoke about, but he was interested in what it was like to live here," said Rogers, who characterized it as a private conversation.

"Maryland has an awful lot going for it."

For an unusual public-private, full-court press, state leaders assembled a team of about a dozen high-level business executives to reach out to Northrop Grumman officials and board members. And they divided up the calls that each would make, so that the company was not getting barraged by Maryland partisans, according to Christian S. Johansson, secretary of the Maryland Department of Business and Economic Development.

"In this case, the CEOs helped craft a strategy. They helped craft a plan, and they helped execute it," Johansson said. "That's not how this process normally works."

A package of grants and incentives was offered to Northrop, but details of Maryland's bid have not been disclosed. Possible Maryland locations that have been floated are College Park, the Gaithersburg- Rockville area and the newly developed National Harbor. Virginia and District of Columbia officials also have

reached out to company executives and considered millions of dollars in tax breaks and grants.

Historically, corporate headquarters stayed where they were established, but not anymore, said John H. Boyd, whose firm The Boyd Co. in Princeton, N.J., advises companies on site selection and relocation.

Giant companies such as Northrop, which compete globally, are constantly looking for ways to save money in their operations, and they're increasingly seeking to trim costs at their corporate headquarters, Boyd said. When deciding on a place, companies evaluate everything from a location's tax structure, salary trends, proximity to a major airport and clients, and employee health care costs, he said.

"The corporate headquarters arena is the fastest-growing sector of our site selection business," Boyd said.

Companies that do a lot of business with the federal government increasingly find themselves wanting a major presence in the Washington area, he said.

"The trend in recent years is for companies to gravitate to Montgomery County, Md., and Fairfax County, Va.," Boyd said. "Without a doubt, that is a major consideration for a company like Northrop Grumman to have a physical presence near Washington, D.C."

For Northrop, it might come down to being as close as possible to the Pentagon in Northern Virginia.

"One of the things that will drive the decision is proximity to the Pentagon," said Rogers of T. Rowe Price. "We're at a slight disadvantage there."

Maryland, however, has other federal installations, such as Fort Meade and the National Security Agency, which works closely with the defense contractor.

"If you look at the growth businesses within the federal portfolio, one of the things that's rapidly growing is cybersecurity, and Northrop's got a big business tied to that," Johansson said.

Another big consideration that Northrop will factor in is the tax rates among Maryland, Virginia and Washington - and many observers concede that Virginia has the edge on that front. Maryland's corporate income tax is 8.25 percent; Washington's is 9.9 percent; and Virginia's is 6 percent. Virginia also has the lowest personal income tax rate of the three jurisdictions, with a rate that goes up to 5.75 percent.

"I think the uphill battle Maryland faces in a deliberation of this type can best be understood when you look at individual and corporate tax differentials between the states," Rogers said. "That's the challenge we face relative to the state of Virginia."

Reconciling his role as leader of a major corporation that argues for lower taxes, while promoting the state's business climate to other business leaders isn't difficult for Shattuck, who has frequently clashed with state officials over regulatory matters in recent years. Shattuck said he has argued for lower taxes "pretty consistently, because that helps spur economic development."

"We will always be fighting for a better business climate," Shattuck said.

Baltimore Sun reporter Jamie Smith Hopkins contributed to this article.